

COLORADO ECONOMIC OUTLOOK

State's Recovery Continues, But

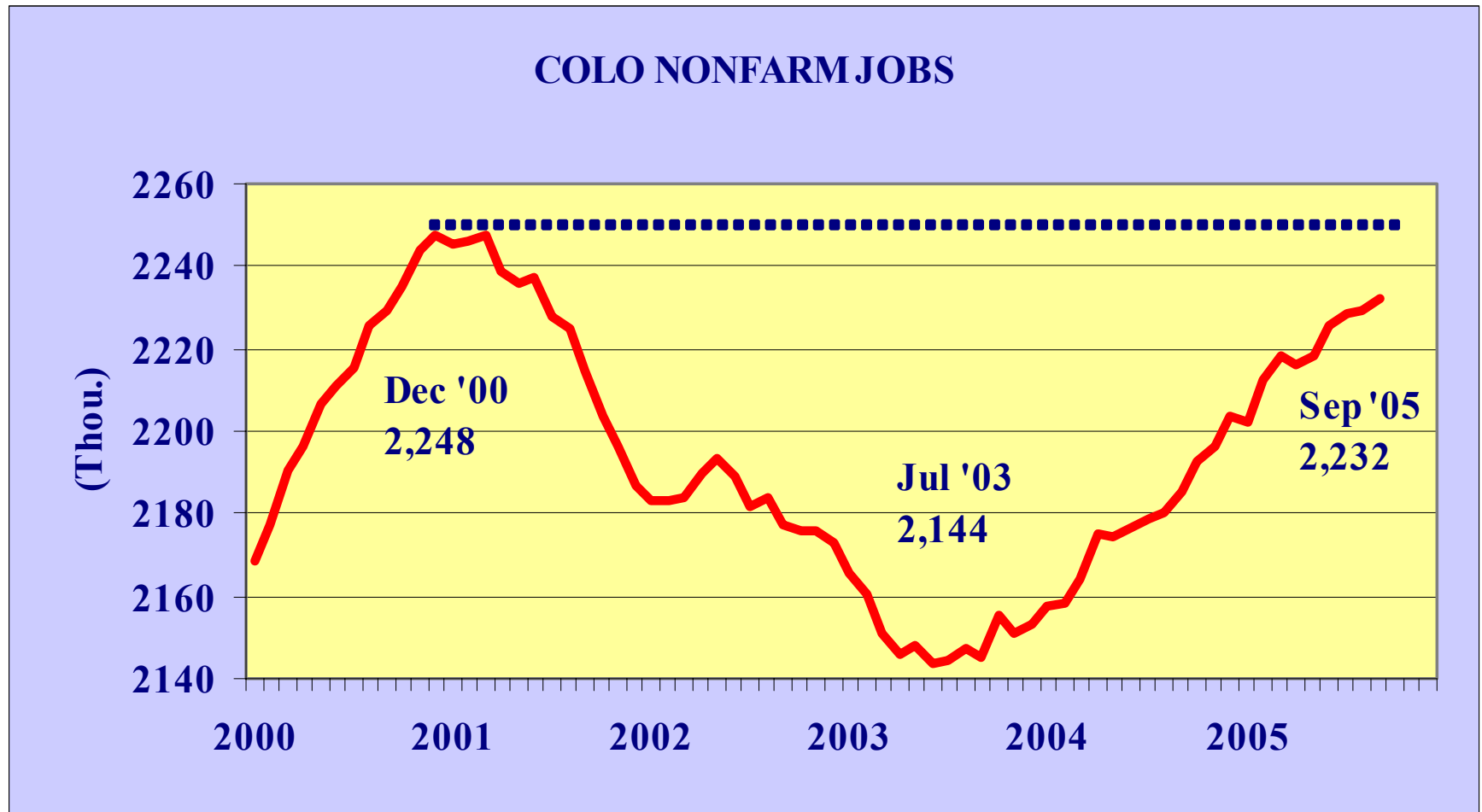
**Prepared for
State Demography Office
Annual Meeting**

**by
Center for Business and Economic Forecasting, Inc.
November 18, 2005**

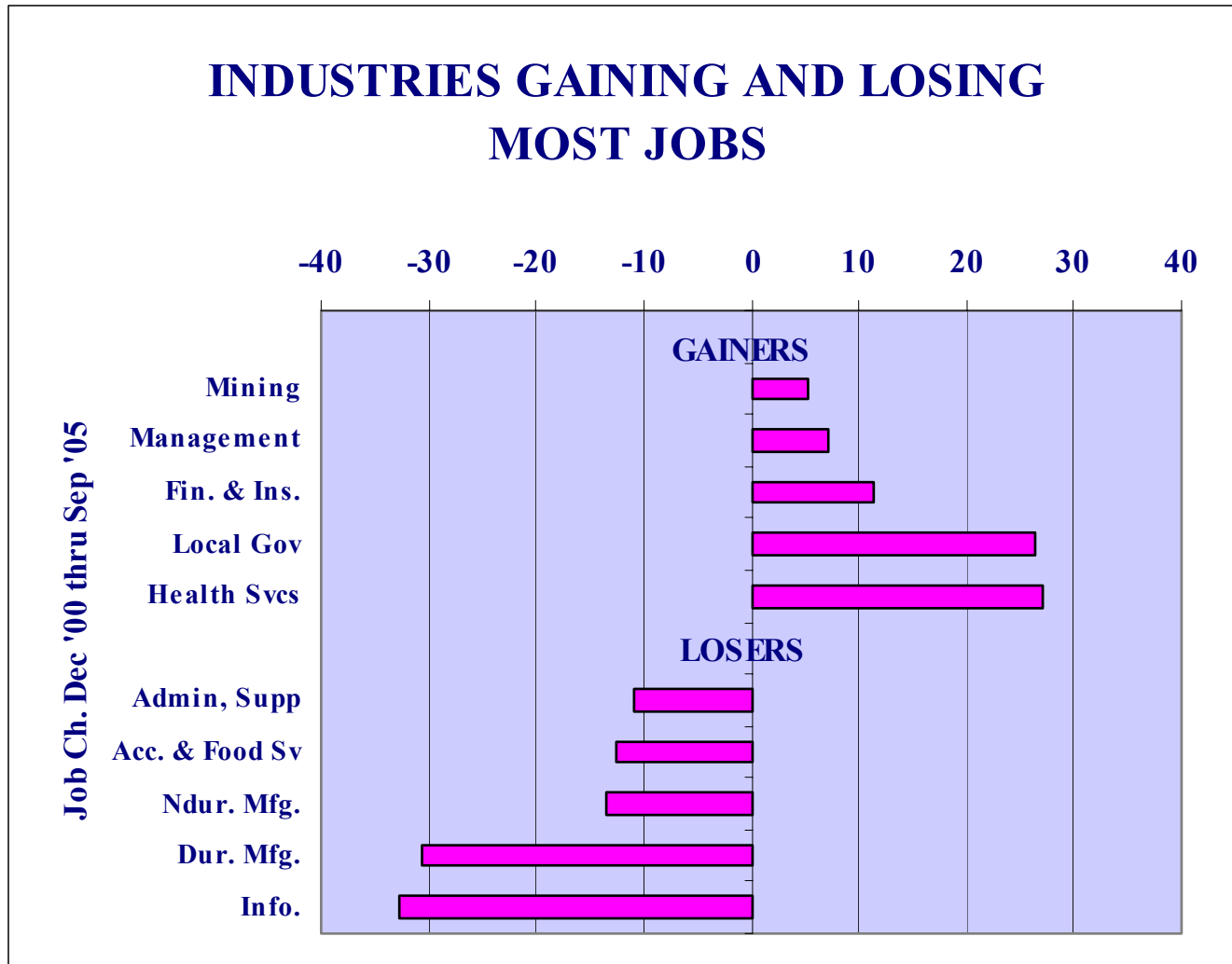
Colorado's economic recovery is well underway, but has slowed in recent months

- **Steady job gains posted for last 2+ years, but slowed last 6 months.**
- **Personal Income growth in 2004 strongest in 3 years, but real household incomes lag**
- **Home building remains healthy, but Colorado market is soft.**
- **Retail spending has picked up, but consumers are stressed.**

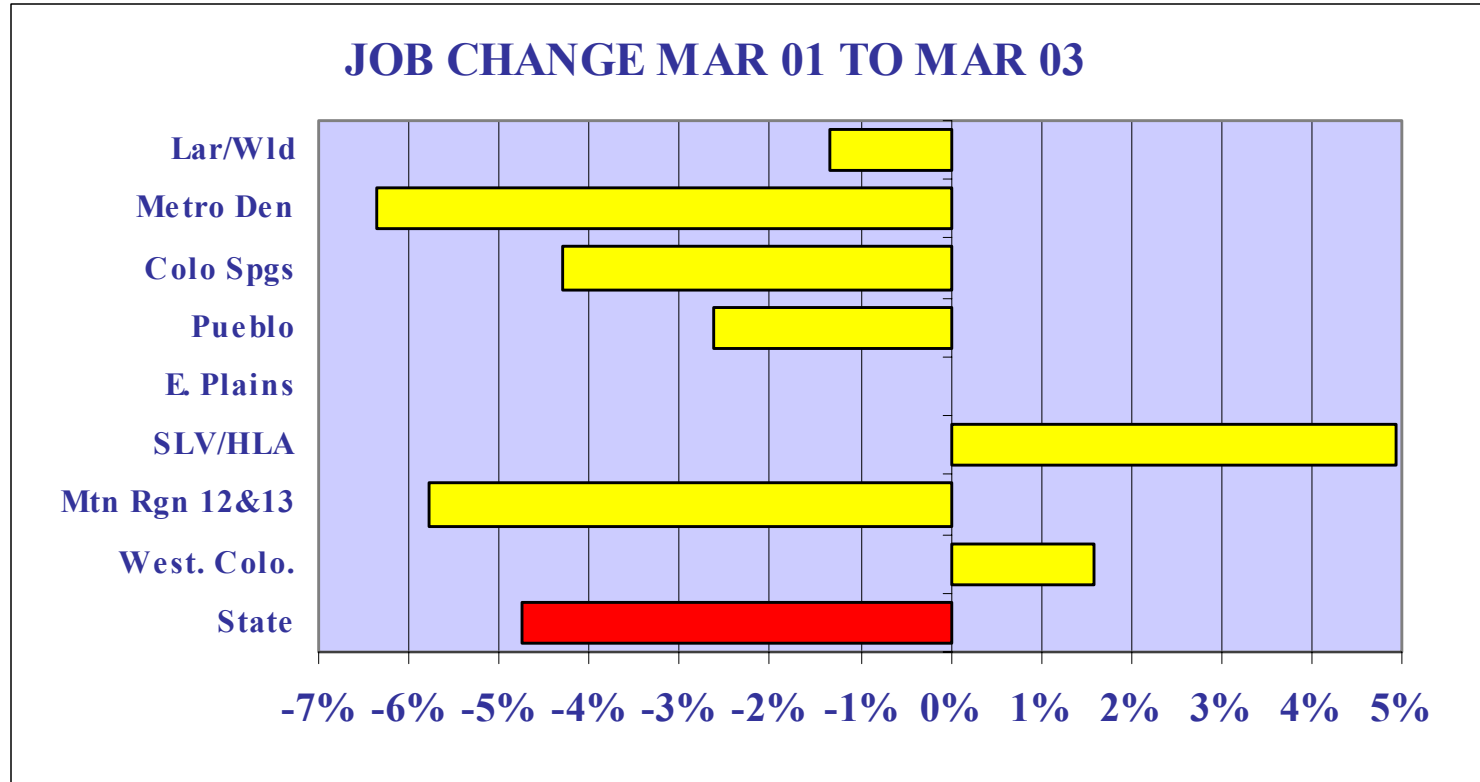
Colorado still has fewer jobs than in late 2000.



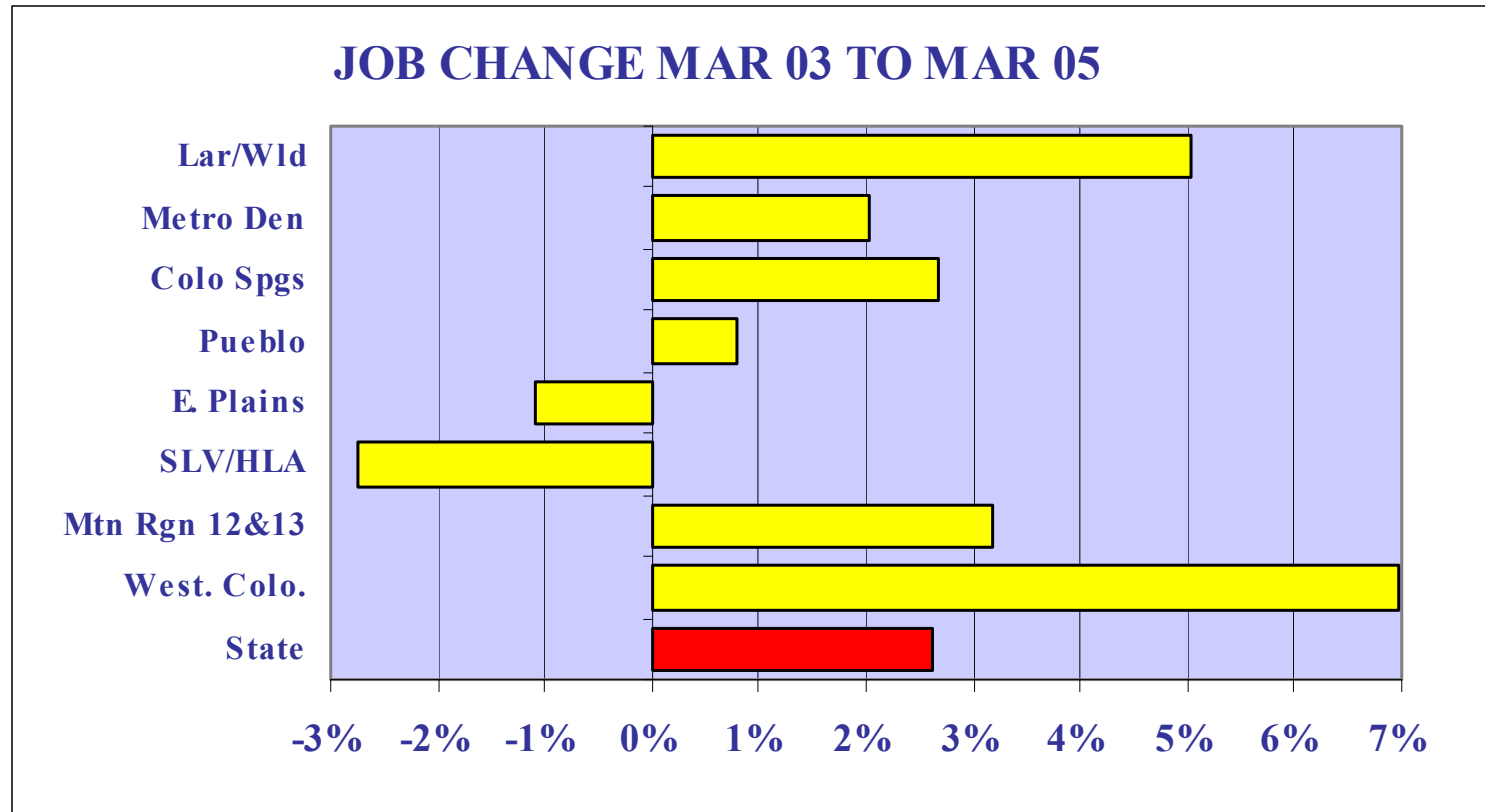
Since 2000, job performance varied widely by industry



Most of Colorado's regions lost jobs during downturn

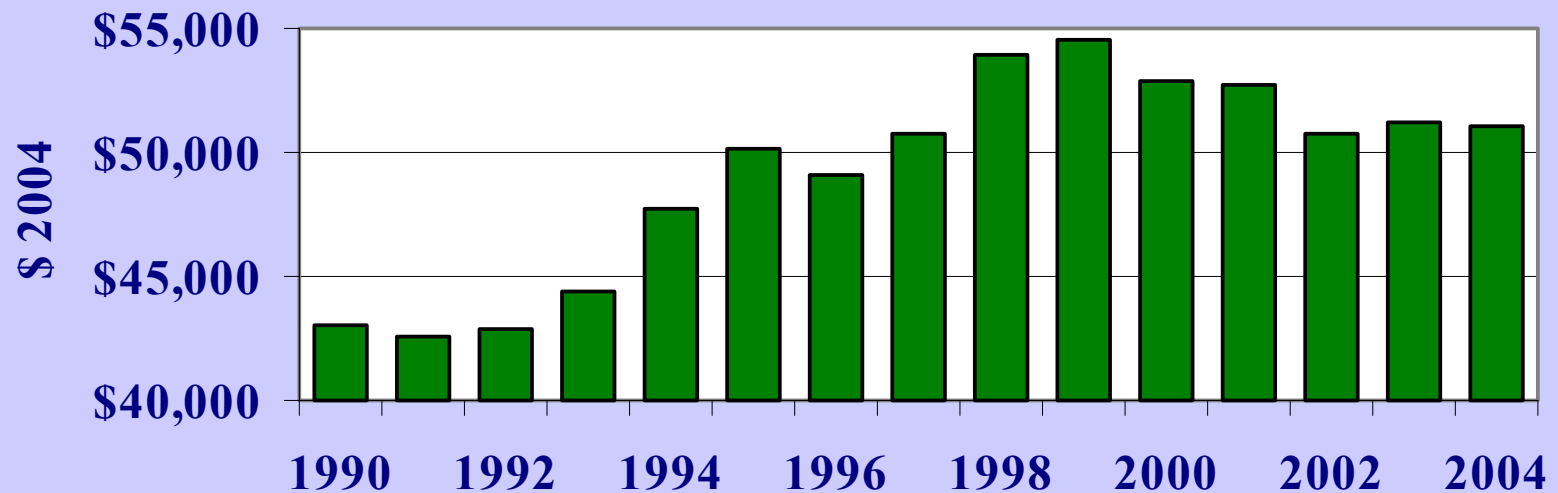


Front Range, Western Colo. and Mountains have experienced recoveries

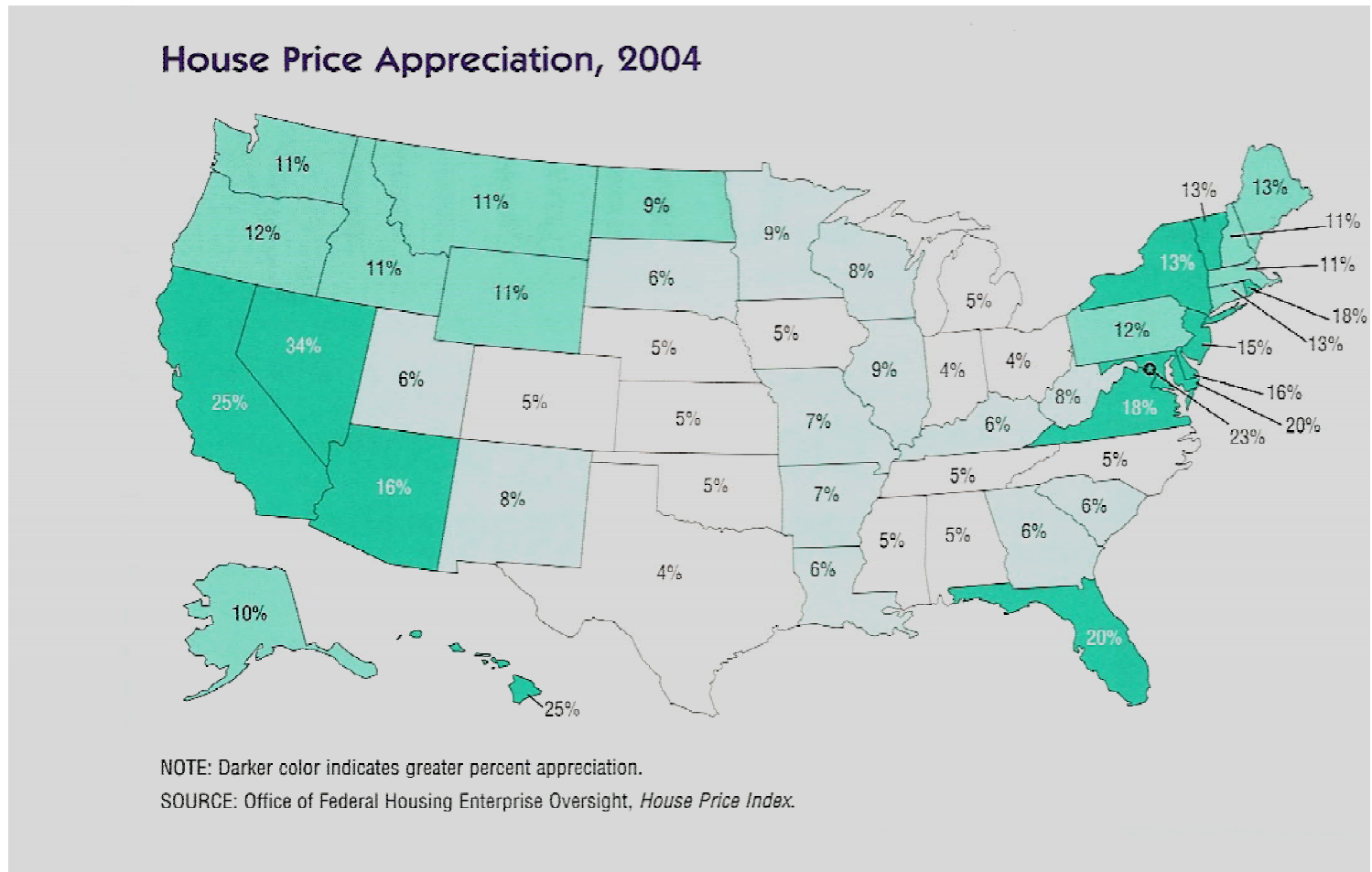


Coloradans' real incomes have fallen over last several years

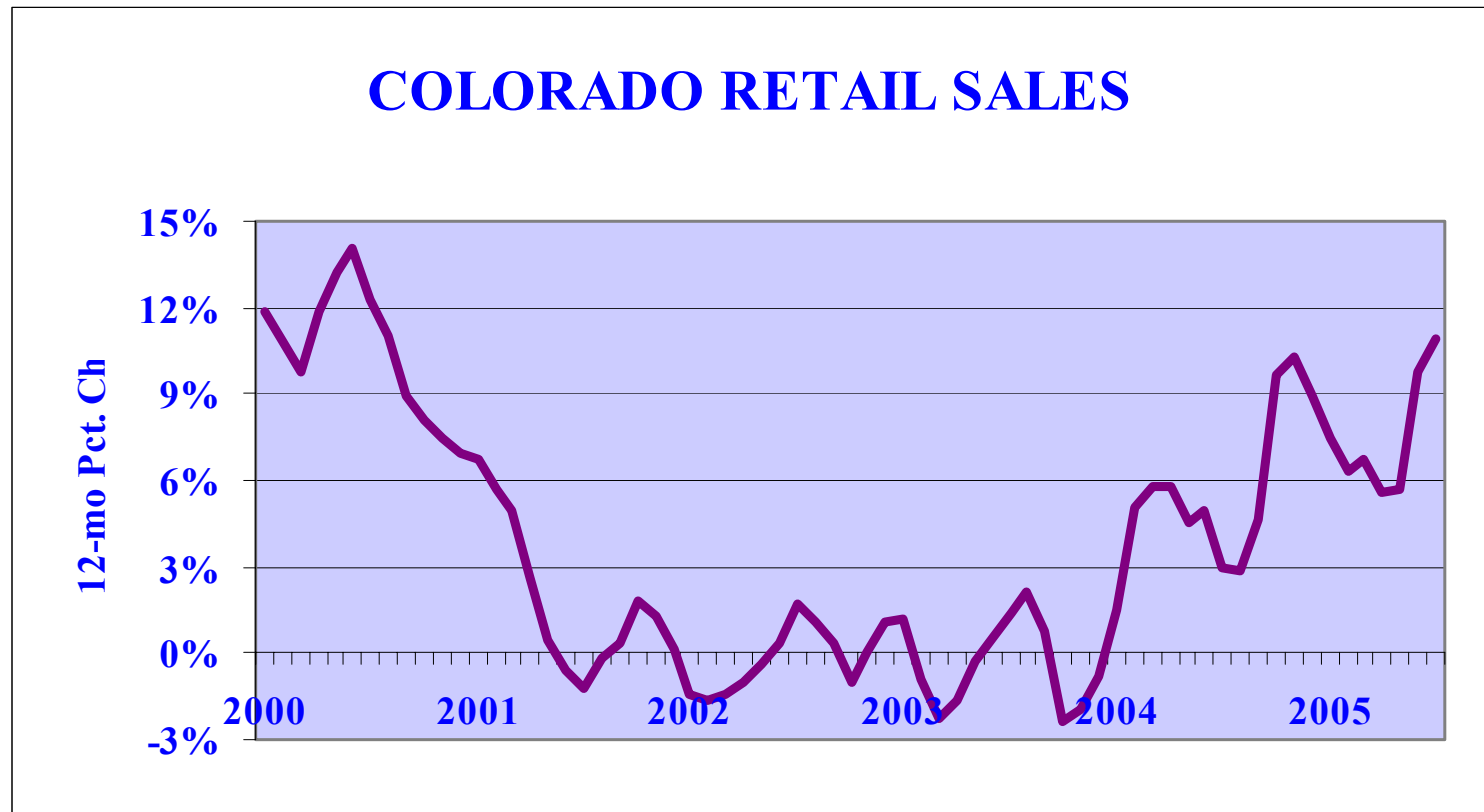
COLORADO REAL MEDIAN HOUSEHOLD INCOME



Colorado's housing market has softened while parts of US see rapid price gains.



State consumer spending rebounded after 3 years of no growth



Colorado's recovery is almost 2 and one-half years old

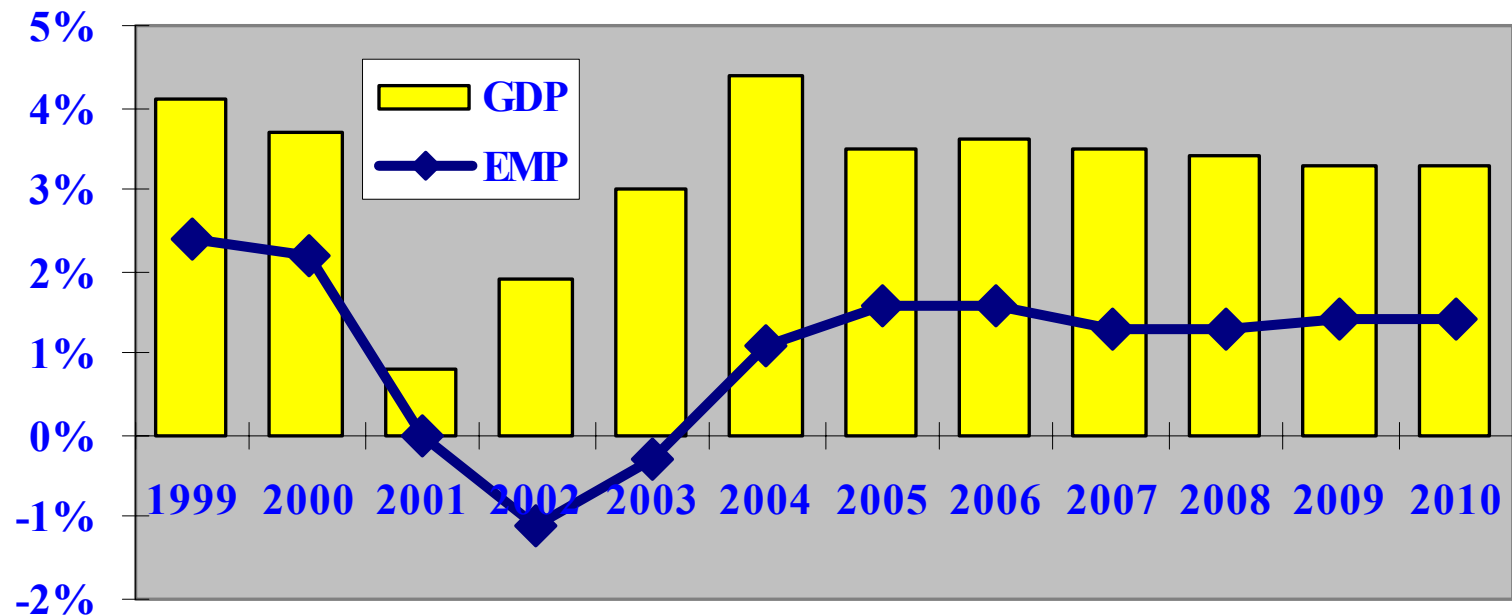
- **Telecommunications and technology sectors remain sluggish.**
- **Travel and tourism have rebounded.**
- **Energy and defense show strength.**
- **State recovery is slower than after past downturns.**
- **Migration remains low.**

Continued growth in national economy is critical to Colorado

- **Third quarter showed healthy growth despite hurricanes.**
- **Consumer confidence has declined sharply.**
- **Inflation fears have reappeared .**
- **Fed continues to raise short-term rates.**
- **Yield curve is flattening-often a signal of future weakness.**
- **World economy has slowed.**

US economy to slow slightly but job and output gains continue

REAL GDP & JOB GROWTH



US Outlook-Summary

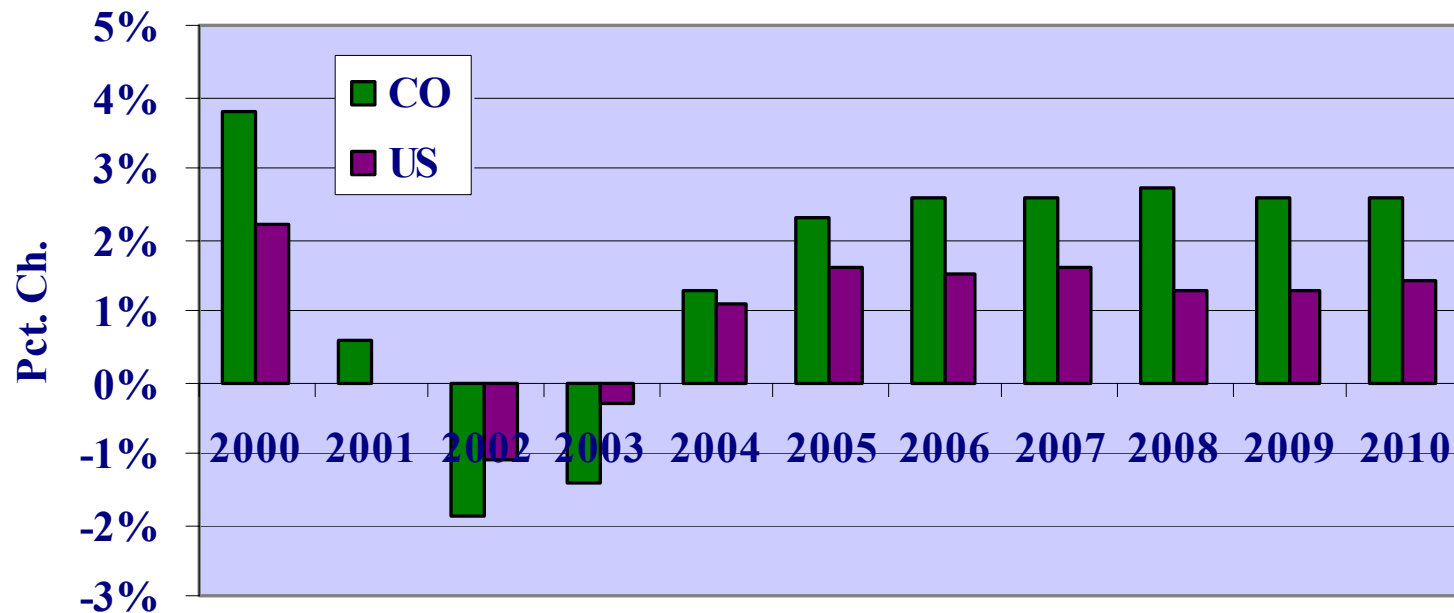
- **Real growth will be slower than in 2004, but no downturn imminent.**
- **Job gains will continue & unemployment rate will edge down.**
- **Homebuilding should decline.**
- **Energy prices will remain high.**
- **Inflation may increase a little.**
- **Budget and current account deficits will persist.**

Risks to US Outlook

- **Oil & energy prices**
- **Debt-household & government**
- **Weakening consumer and investor confidence**
- **Run-up in interest rates**
- **Housing bubble**
- **Imbalance in world economy**
- **More terrorist attacks, deteriorating security, avian flu.**

Colorado job growth to strengthen this year and remain healthy.

COLO & US JOB GROWTH

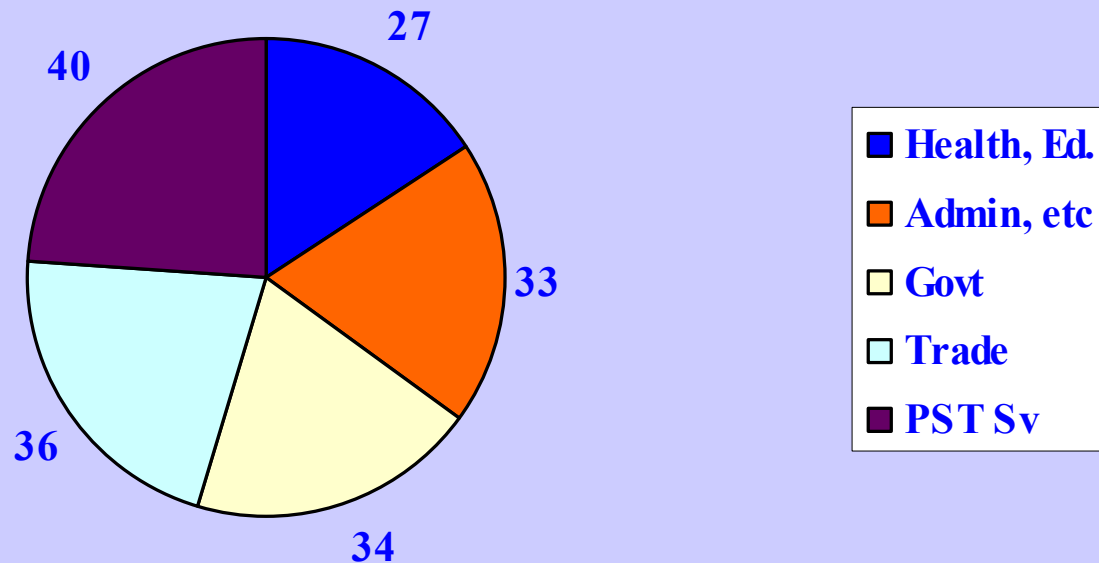


State income and sales have recovered and this should continue.

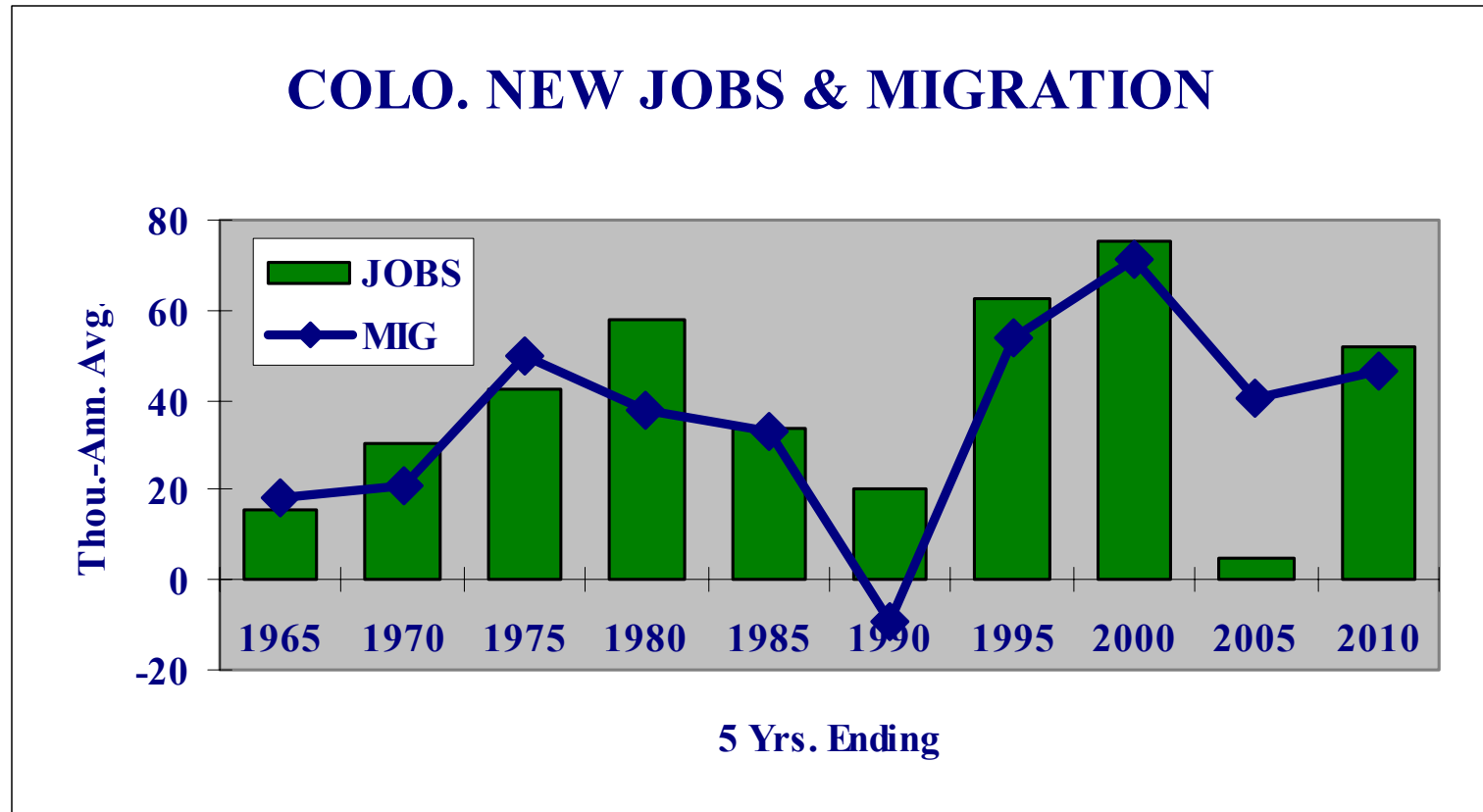


Most job growth over next 5 years will be in service sectors.

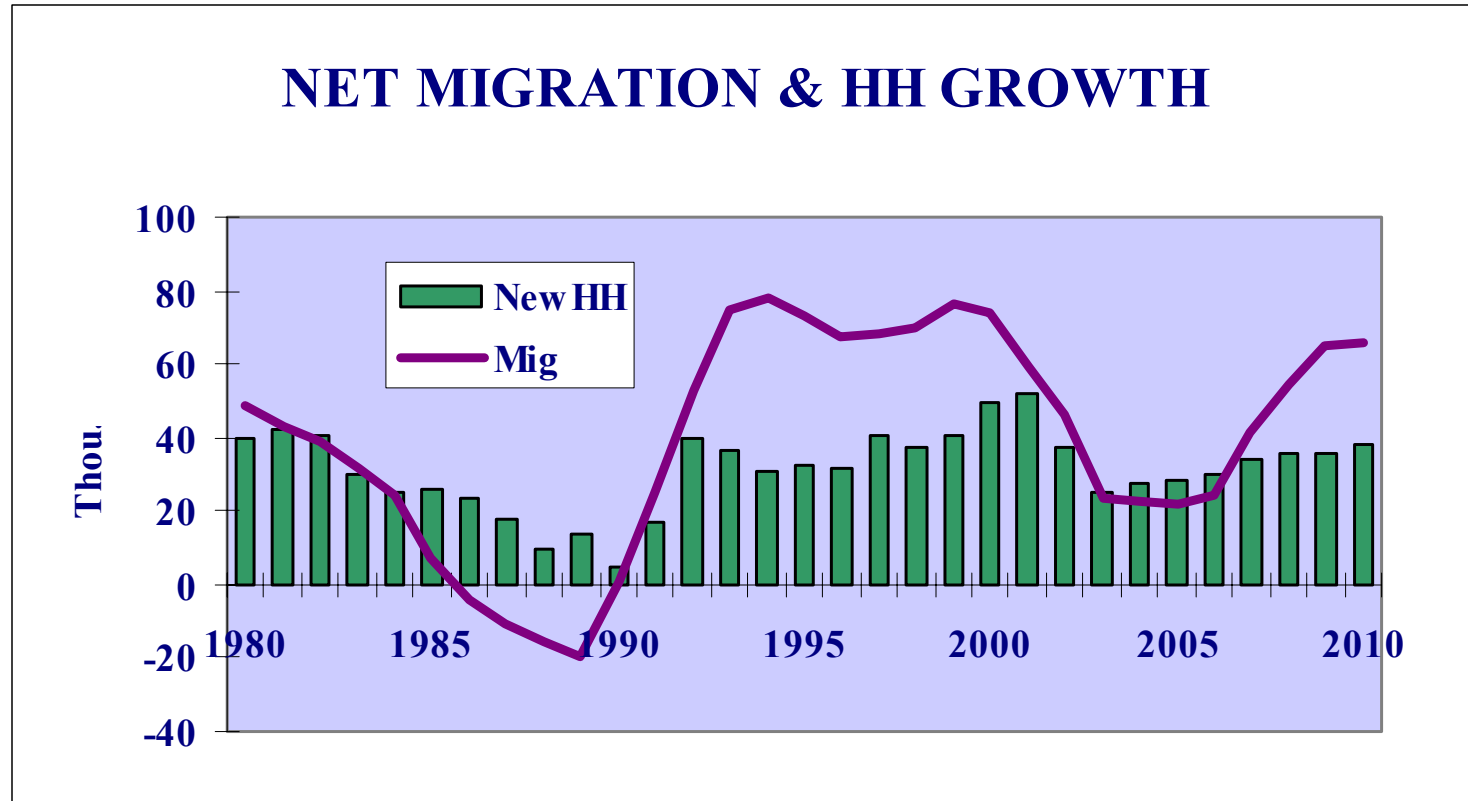
**INDUSTRIES WITH MOST NEW JOBS
2005-10 (Thou.)**



Job growth is slower than 90s and migration is also less.

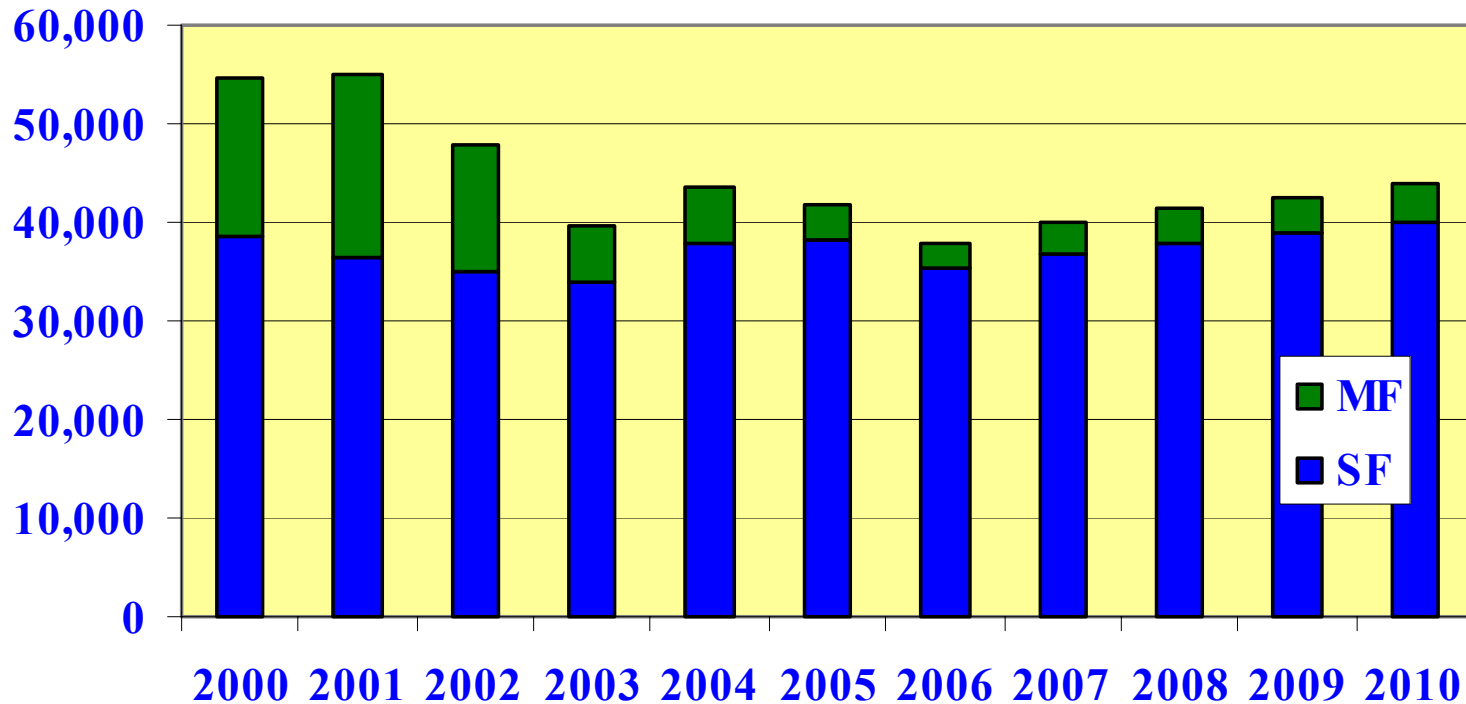


Demand for new homes driven by household growth which depends on migration



Homebuilding in Colorado is expected to slow slightly over next few years

COLORADO HOUSING PERMITS



Colorado Outlook Summary-I

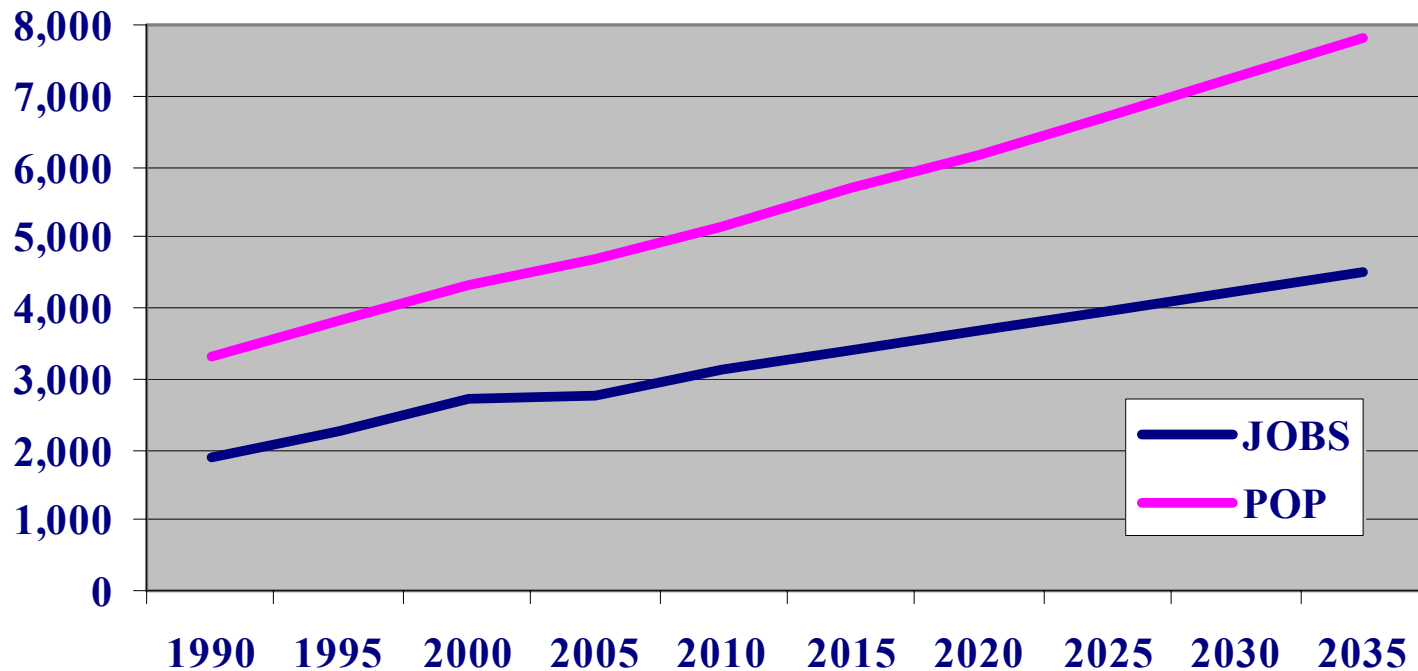
- **Recovery should continue.**
- **Housing to weaken; apartment markets will remain soft.**
- **Office market recovery awaits stronger job growth.**
- **Defense spending still a source of strength .**
- **High energy prices will help oil, gas and coal industries but will hurt travel and tourism.**
- **State & local government budget pictures should continue to improve.**

Colorado Outlook Summary-II

- **Tech industries may be showing signs of life.**
- **Telecom recovery still distant.**
- **Migration remains low until job growth strengthens.**
- **Annual job growth will stay in 2.5 percent range.**
- **Unemployment will gradually decline.**
- **Retail spending should remain healthy.**
- **State growth will be well short of that in 1990s.**

**Long term forecasts call for 8 mil.
population and 4.5 mil. Jobs in 2035.**

COLORADO JOBS & POPULATION (000)



Warning! Colorado has lagged other fast growing states so far in this century.

